A2075-20.1F

AMA RESEARCH

AMERICAN MANAGEMENT ASSOCIATION

AMA

1991 AMA Survey on The Pulse of the Customer

AMA Research Reports

Eric Rolfe Greenberg, Editor
Carol Canzoneri, Data Processing Associate
Moneshia Puri, Data Processing Intern

copyright © 1991 American Management Association, New York, New York

AMA RESEARCH

AMERICAN MANAGEMENT ASSOCIATION

AMA

The Pulse of the Customer

"Buy cheap and sell dear". For centuries, that instruction has defined the way to success in a market economy. Profits were mined in the margins between the price paid for materials and labor and the price charged for finished products. For customers, price was not only the key differentiator; it was very nearly the only one that mattered.

By no means has price lost its preeminence in the customer's decision to buy; all else being equal, the lower price will still prevail. But today's customers are increasingly aware that all else is rarely equal. Whether retail consumers or industrial purchasers, their calculations now include a variety of key service issues.

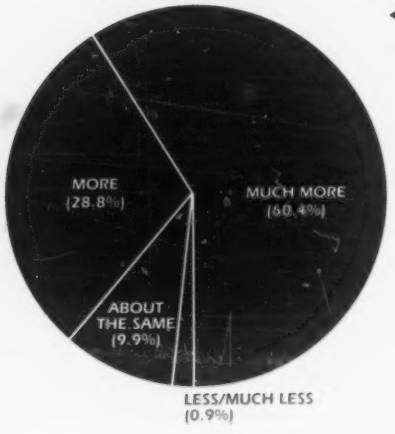
To be competitive on these issues, companies must gauge the importance of service to their customer base. They must seek out the most effective means to discover and anticipate customer needs, and to measure customer satisfaction. Most importantly, they must determine which factors matter most to their customers, and how best to improve corporate performance in each area.

In its 1991 survey on "The Pulse of the Customer," AMA research asked more than 1,000 sales and marketing managers these questions:

- What external pressures have compelled companies to give more attention to customer service?
- What are the most effective methods to gauge customer needs and satisfaction?
- What factors most influence their customers' decisions to buy, and where can the organization best improve its performance?

Summary of Key Findings

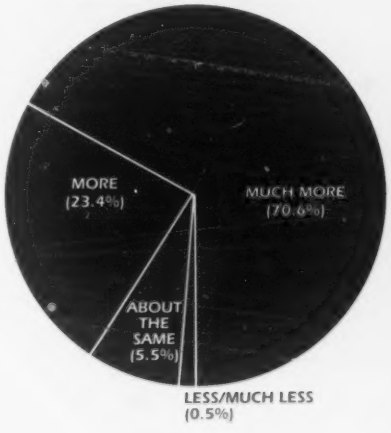
IS SERVICE MORE OR LESS IMPORTANT?

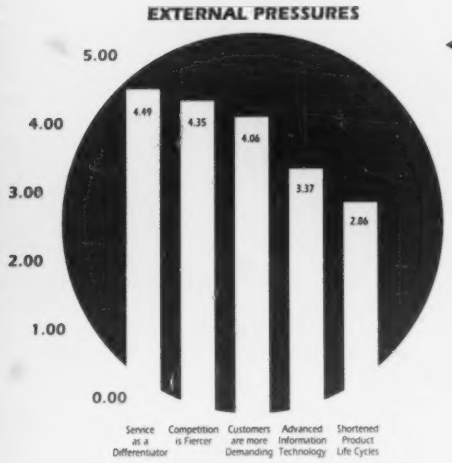


◀ Nine out of ten respondents agree that service issues are more important today than they were as recently as two years ago; only one in a hundred says they are less important.

And the trend will continue: by an even higher margin, respondents say that service will be **much** more important in the coming two years. The finding occurs in all business categories and in organizations of every size. ▶

WILL SERVICE BE MORE OR LESS IMPORTANT?



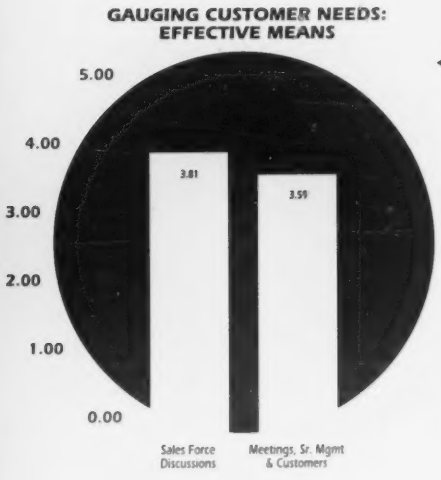


External Pressures: The most important element in the burgeoning importance of service issues is that service itself has become more important as a differentiator in the customer's decision to buy. On a scale where factors of the highest importance rated a five and those of least importance a one, "service as a differentiator" averaged a 4.49 mark — a very high level of consensus.

Wholesale and retail traders were especially insistent on this point, with an average mark of 4.67.

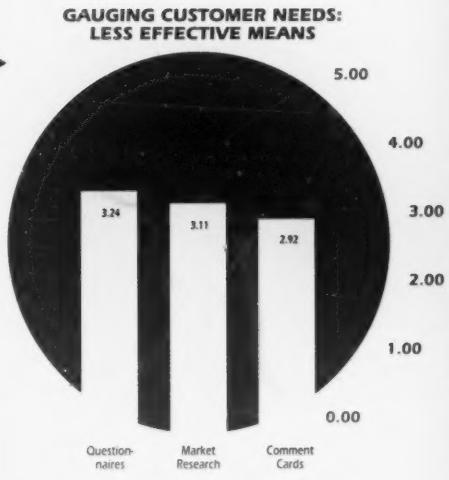
Other choices, with their average scores:

- More competition in the marketplace (4.35)
- Increasing customer demand for performance in the service arena (4.06)
- Development of advanced information technology (3.37)
- Shortening life cycle of products and services (2.86)

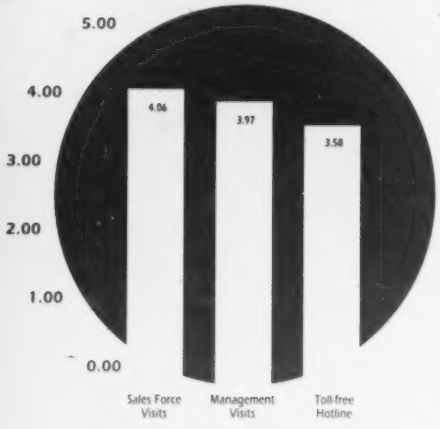


Anticipating Customer Needs: Two-way communication — regular meetings between customers and senior management, and regular discussions with the sales force — far outscore other methods to discover and anticipate customer needs on a five-point scale.

An exception: providers of financial services give **below** average scores to personal meetings, and **above** average scores to methods that lend themselves to quantitative analysis: customer questionnaires, comment cards and service assessment forms, and market research.



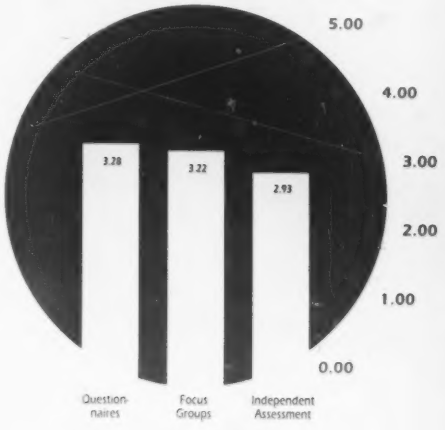
GAUGING CUSTOMER SATISFACTION: MOST EFFECTIVE MEANS



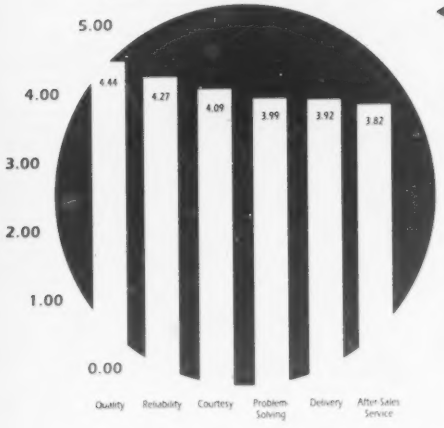
Measuring Customer Satisfaction: Again, respondents find face-to-face meetings (or voice-to-voice telecommunications) most effective in gauging customer satisfaction.

Focus groups, which score lower on the five-point scale, are formalized question-and-answer sessions rather than give-and-take discussions. Assessments by independent sources pose the same problem: who speaks for the company?

GAUGING CUSTOMER SATISFACTION: LESS EFFECTIVE MEANS



GREATER BUYING INFLUENCE

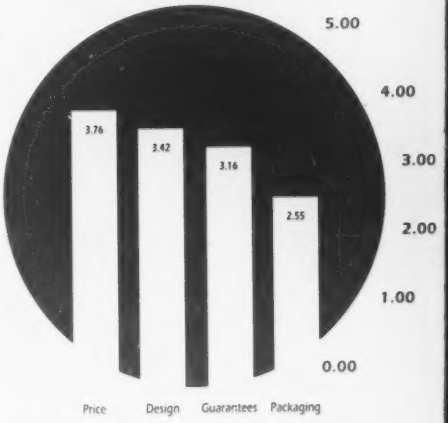


Buying Influence: Price ranked **seventh** among the ten listed factors that influence the buyer's decision. Price mattered most to customers in wholesale and retail operations, least to purchasers of business and professional services.

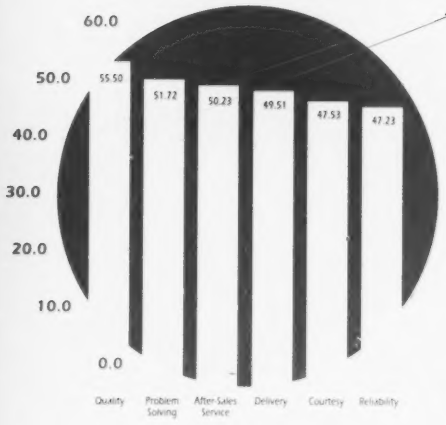
Every service-related issue save "guarantees" amassed a higher average than price on the five-point "buying influence" scale.

These averages exclude respondents who marked one or more factors as "not relevant to our business." The low scores for design and for packaging come largely from manufacturers who find service issues more influential in the customer's decision to buy.

LESSER BUYING INFLUENCE



SERVICE PRIORITY INDEX–TOP SCORES

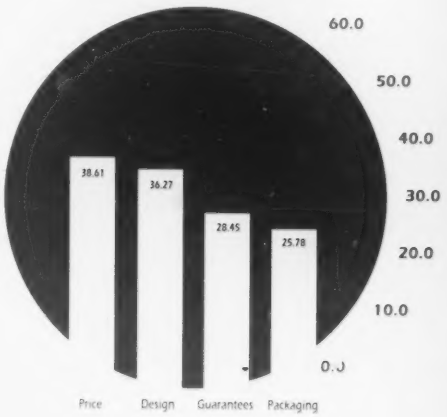


The Service Priority Index: The index combines responses to the query on buying influence with those to a matched query that asked, "Where is there most room for improvement in your organization?" The result is measured on a 100-point scale: high marks indicate that a given factor both highly influences the buy decision **and** allows significant room for improvement in the respondent organization.

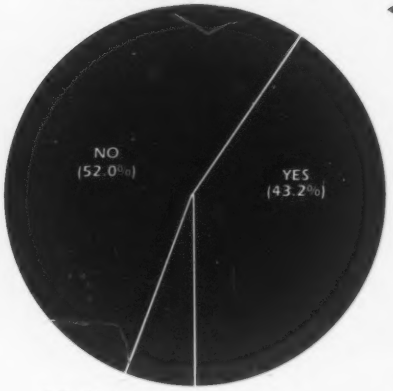
Respondents saw much room for improvement in quality and in after-sales service, accounting for their high index ratings. Problem-solving — here meaning the offer of a product or service that addresses a specific customer need — also rated highly.

Most respondents saw small hope of improving their competitive positions through pricing changes. Increasingly, service is the arena in which competitive battles are fought.

SERVICE PRIORITY INDEX–LOW SCORES



REGULAR REPORTS ON CUSTOMER SATISFACTION



Despite the evident importance of service issues, fewer than half the respondent firms issue regular reports and analyses on customer satisfaction. Two-thirds of the sample's wholesalers and retailers think that service will become much more important in the coming years, but only 38% quantify and analyze customer service data.

But over half the respondent firms feature quantified performance standards on key service issues. Service providers outscore manufacturers in this area, 57% to 51%.

QUANTIFIED PERFORMANCE STANDARDS

"The basic difference between a salesman and a hustler," a streetwise philosopher once said, "is that a hustler is only interested in **this** sale, while a salesman has his eye on the **next** sale."

Increasingly, customer service issues determine whether there will be a **next** sale. Survey findings give hard evidence that service has become the true competitive battlefield.

RESEARCH

AMA

About this Survey

This "Pulse of the Customer" survey follows AMA's 1989-90 international survey on customer service, which provided the basis for the recently published AMA Research Report, **Service: The New Competitive Edge** (Report #3525, 96 pp., $22.50 for AMA members, $24.95 for nonmembers). Information regarding the purchase of **Service: The New Competitive Edge** may be obtained from AMA's book order hotline, 518/891-5510.

The questionnaire for the present survey was an edited and revised version of the questionnaire AMA distributed to managers in Western Europe, North America, and Japan for **Service: The New Competitive Edge.** The original was devised for AMA's Management Centre-Europe by John Humble & Co., Ltd., Jordans, Beaconsfield, Bucks, United Kingdom.

The 1991 "Pulse of the Customer" questionnaire was mailed on May 24, 1991 to 8,500 sales and marketing managers who are AMA members or who work in AMA member companies. By June 21 AMA research had received 1,073 usable responses, a return rate of 13.3%. The sample presents the following statistical profile:

SIC Classification

- Agriculture, Forestry, & Fishing 0.5%
- Mining & Mineral Extraction 0.4%
- Construction 1.3%
- Manufacturing 44.5%
- Transportation, Communications, & Utilities 11.4%
- Wholesale Trade & Distribution 1.6%
- Retail Trade 6.7%
- Finance, Insurance, and Real Estate 7.7%
- Services 24.3%
- Public Administration 0.4%
- Unclassified and Unclassifiable Establishments 1.3%

Annual Sales*

- Under $10 million 25.8%
- $10-$49 million 26.8%
- $50-$249 million 21.5%
- $250-$500 million 5.6%
- Over $500 million 11.3%
- Not Reported 9.0%

*or operating budget, for nonprofit organizations.